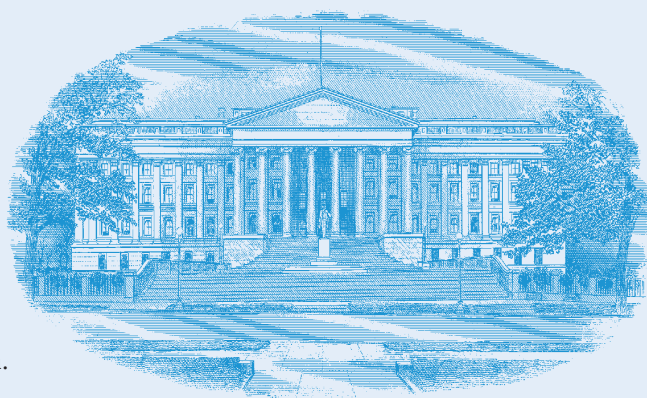


About TIPS



Treasury Inflation-Protected Securities (TIPS) are marketable Treasury securities that pay interest that increases with inflation. Interest is paid semiannually based on the inflation-adjusted principal. Like all marketable U.S. Treasury securities, TIPS are backed by the full faith and credit of the United States government.

Interest and Principal

Interest payments on TIPS are made semiannually and are linked to the Consumer Price Index for Urban Consumers (CPI-U). As measured by the index, the underlying value of the principal grows at the same rate that the CPI-U rises. Since interest payments are a fixed percentage of the principal, they grow along with the principal.

At maturity, if inflation has risen and increased the value of the underlying security, Treasury pays the owner the higher inflation-adjusted principal. On the other hand, if deflation occurred over the life of the security and decreased the security's value, then Treasury pays the owner the original face value of the security.

Buying TIPS

TIPS are available to both individual and institutional investors. You can buy TIPS directly from the Treasury or through your bank or broker.

Through TreasuryDirect: You can set up a secure account directly with the Treasury, where you hold your securities. You can buy them yourself via the Internet, by phone, or by mail.

Through a Bank or Broker: Your broker/dealer or financial institutions hold the securities on your behalf. You can arrange purchases and redemptions through them.

TreasuryDirect

U.S. Department of the Treasury

Investing in TIPS

You can buy TIPS in \$1,000 increments with 5-, 10-, and 20-year maturities.

Miscellaneous Details

TIPS Are Liquid. You can buy and sell TIPS in the secondary market before maturity. The value of a security sold in the secondary market prior to maturity is subject to market valuation. This may result in either a capital gain or loss, depending on market prices at the time of the sale.

Tax Issues. Earnings from TIPS are exempt from state and local income taxes, as are other U.S. Treasury securities. TIPS owners pay federal income tax on interest payments the same year they are received, and on growth in principal in the year it occurs. Investors holding TIPS in TreasuryDirect receive two tax statements each year: an IRS Form 1099-INT showing the interest we paid and a 1099-OID showing the increase or decrease in the security's principal value.

AUCTION SCHEDULE*

Treasury Inflation-Protected Securities

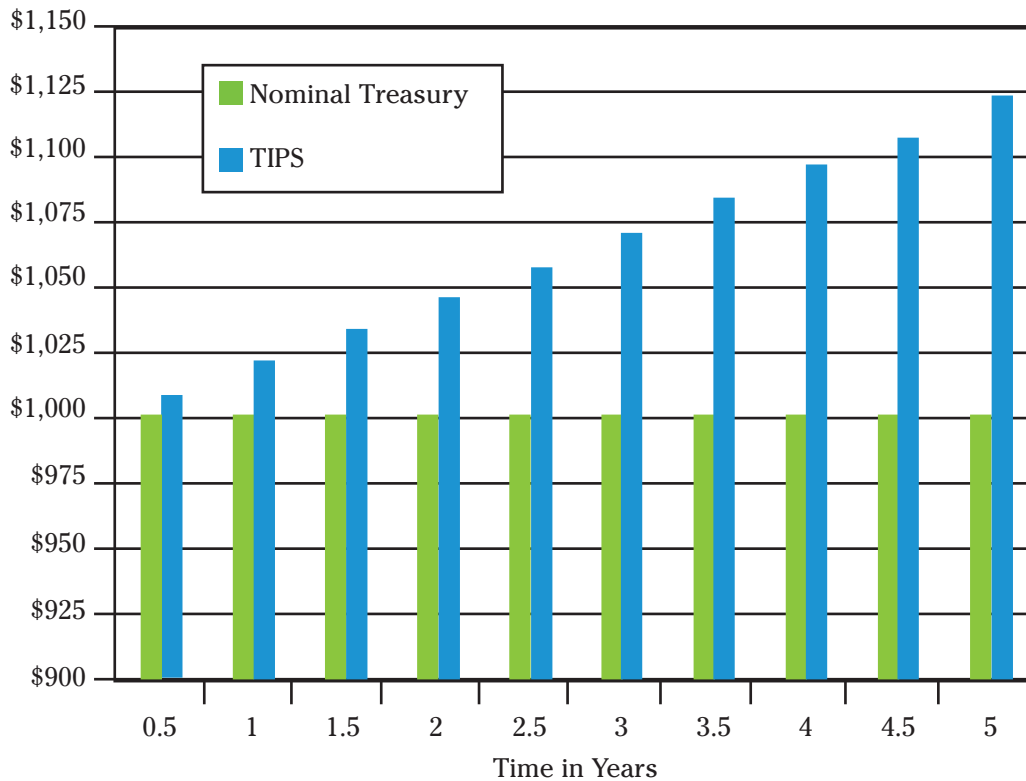
	5-year	10-year	20-year
January		1/13/05	1/25/05
April	TBA	TBA	
July		TBA	TBA
October	10/26/04	10/7/04	

*as of August 2004

www.treasurydirect.gov
1-800-722-2678

Note: These figures are for illustration purposes only.

Principal Growth of a \$1,000 TIPS Investment Over a 5-Year Period



Interest Payments for a 1.5% TIPS Note Adjusted for Inflation

Payment Date (after issue)	Principal Amount	Interest Amount
6 months	\$1,011.50	\$7.59
1 - year	\$1,023.13	\$7.67
2 - years	\$1,047.83	\$7.86
5 - years	\$1,126.68	\$8.45

OMB CPI-U Inflation Forecast *

OMB Mid-Session Review

Yr 1 (2005) 2.30%

Yr 2 (2006) 2.40%

Yr 3 (2007) 2.40%

Yr 4 (2008) 2.40%

Yr 5 (2009) 2.50%

**as of July 30, 2004*